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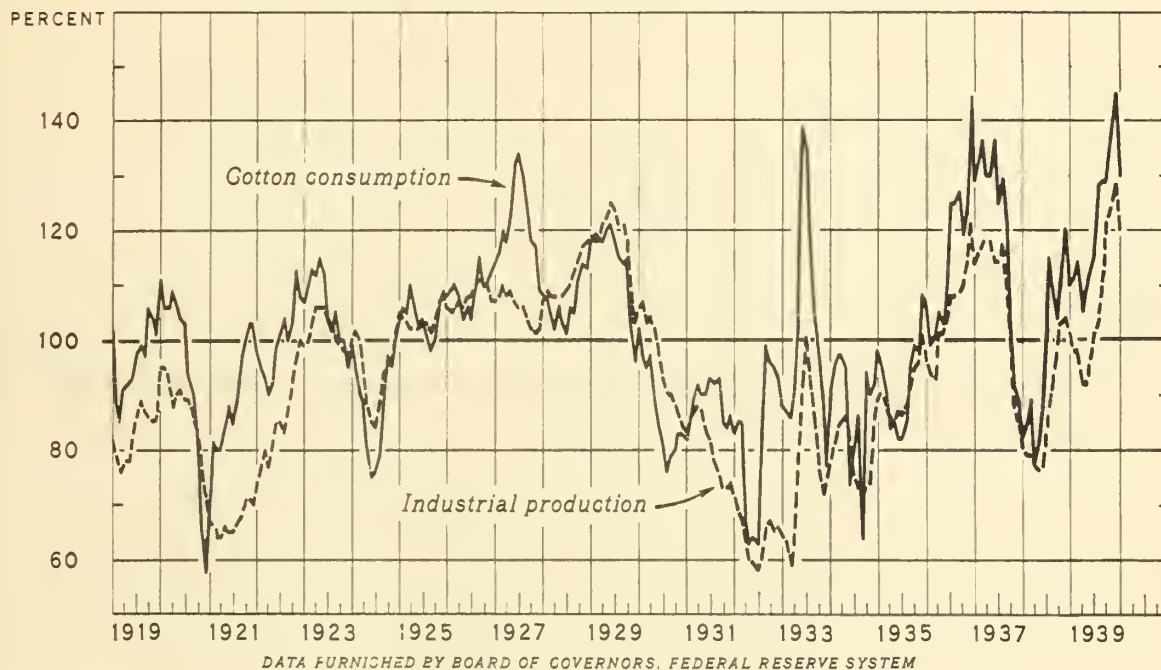
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FEBRUARY 29, 1940

THE COTTON SITUATION

COTTON CONSUMPTION AND INDUSTRIAL PRODUCTION
IN THE UNITED STATES, 1919-40

INDEX NUMBERS (1923-25=100), ADJUSTED FOR SEASONAL VARIATION.



U. S. DEPARTMENT OF AGRICULTURE

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BUREAU OF AGRICULTURAL ECONOMICS

INDEX NUMBERS OF COTTON MILL CONSUMPTION AND OF INDUSTRIAL PRODUCTION TEND TO CHANGE TOGETHER. THIS TENDENCY IS DUE IN PART TO THE RELATIVELY HEAVY WEIGHT GIVEN COTTON CONSUMPTION IN COMPUTING THE INDEX OF INDUSTRIAL PRODUCTION, BUT THE MORE FUNDAMENTAL REASON IS THAT BOTH INDEXES REFLECT CHANGES IN GENERAL ECONOMIC CONDITIONS.

INDEX NUMBERS OF BOTH COTTON CONSUMPTION AND INDUSTRIAL PRODUCTION REACHED RECORD HIGHS IN DECEMBER, THEN DECLINED MATERIALLY IN JANUARY. RELATIVELY HIGH PRICES OF COMPETING PRODUCTS AND LARGE SALES OF COTTON TEXTILES FOR EXPORT ALONG WITH THE HIGH LEVEL OF INDUSTRIAL PRODUCTION LARGELY ACCOUNT FOR THE RECENT HIGH RATE OF COTTON CONSUMPTION.

THE COTTON SITUATION

Summary

Cotton mills in Great Britain, France, Italy, and a few other European countries continued relatively active during the past few weeks. In the German-controlled area of Central Europe, however, the effort to conserve the remaining small supplies of raw cotton has caused cotton mill consumption to remain greatly restricted, and consumption of cotton for the production of goods for non-military uses is exceptionally low. In the United States, consumption during February has continued high, but mill activity, adjusted for seasonal variations, declined somewhat.

In the Orient mill activity recently declined somewhat in China and Japan. But in India mill consumption in December and January was materially higher than in November although lower than in the corresponding period last season.

Sales of cotton textiles in Great Britain, as well as in Holland, Belgium, and a few other neutral countries, are reported to have been comparatively small in recent weeks. In Great Britain this was due in part to uncertainties over the additional cotton control measures which were being formulated and to high cotton textile prices, particularly on export sales.

Exports of American cotton in January were the largest for the month since 1927. They were $3\frac{1}{2}$ times as large as in January 1939 and about $\frac{1}{2}$ larger than the 10-year (1929-38) January average. During the first 3 weeks of February, domestic exports continued from 2 to $3\frac{1}{2}$ times as large as in the corresponding weeks last year. From August 1 through February 22, exports were 2,200 thousand bales (90 percent) larger than through the corresponding date last season. More than 1,400 thousand bales of this increase was in

exports to Great Britain and France. Exports from Egypt in January were 13 percent larger than in January 1939. Indian exports in December, on the other hand, were 1/5 smaller than in December 1938 and exports from Brazil were less than half as large as in December 1938.

Prices of spot cotton in the United States advanced more than 1/2 cent during the past 4 weeks. Liverpool prices of American cotton, on the other hand, declined about 1/3 cent per pound. As a result, the spread of American Middling at Liverpool over New Orleans declined from 3-1/3 cents on January 26 to 2-1/2 cents on February 23. The spread at the present time is approximately the lowest since November and reflects a decline in transportation costs during the past few weeks. Liverpool prices of Indian cotton declined somewhat further relative to American during the past month, whereas prices of Egyptian Uppers and Brazilian Sao Paulo increased somewhat in relation to American.

PRICES

Domestic prices recover substantial part of general decline

Since January 23 - when Middling 7/8-inch in the 10 markets averaged 10.16 cents, the lowest quotation for more than 6 weeks - spot prices in domestic markets have strengthened materially. By February 23 the 10-market average was 10.74 cents, or 0.58 cent higher than a month earlier. With a slight additional advance following the 23rd, the average for February 1 to 26 inclusive was 10.61 cents, only 0.01 cent less than the January average. The average for both January and February was higher than the average for any other month since July 1937.

The strength in domestic cotton prices during the last 4 weeks is apparently accounted for in part by the continued high rate of domestic exports, the high rate of domestic consumption, and the reduced rate at which growers appear to have sold equities in the cotton under Government loan. Even with a considerable decline in domestic consumption during the next several weeks, additional quantities of loan cotton are likely to be needed by the cotton trade if exports are to approximate the quantity registered under the export payment program. This is due to the fact that the end-of-season stocks of "free" cotton can hardly be reduced below the low level of last year without creating a real shortage of available cotton from which to obtain sizeable lots of the qualities desired to meet current needs.

Prices at Liverpool decline, whereas domestic prices advance

Although spot prices in the United States advanced considerably during the past 4 weeks, prices at Liverpool declined materially. On February 23

Table 1.--Cotton: Spot price per pound, specified growths at Liverpool and New Orleans, specified periods

Season, month or day	Liverpool								New Orleans	
	American		Indian		Egyptian		Brazilian		American	
			Fine Comra#1		F.G.F. Upper Fair		Sao Paulo Middling 7/8"			
	Mid- dling 7/8"	Low Mid- dling	Ac- tual	As a % of Ameri- can Mid- dling	Ac- tual	As a % of Ameri- can Mid- dling	Ac- tual	As a % of Ameri- can Mid- dling	Ac- tual	Spread Liverpool over New Orleans
	Gents	Gents	Gents	Percent	Gents	Percent	Gents	Percent	Gents	Gents
10-yr. av.:										
1927-28										
to 1936-37	14.50	13.60	11.19	78.0	17.12	117.9	14.08	97.7	12.65	1.85
1936-37 ..	14.62	13.16	10.87	74.4	17.40	119.0	14.12	96.6	12.79	1.83
1937-38 ..	10.31	8.78	7.96	77.1	13.10	126.7	10.18	98.7	8.79	1.52
1938-39 ..	10.15	8.71	7.14	70.4	11.80	116.5	9.63	94.9	8.73	1.42
1939-40 -										
Feb.	10.02	8.55	6.95	69.4	11.56	115.4	9.53	95.1	8.60	1.42
Mar.	10.17	8.71	6.85	67.4	11.58	113.8	9.68	95.2	8.69	1.48
Apr.	9.67	8.21	7.02	72.6	10.90	112.7	9.19	95.0	8.61	1.06
May	10.55	8.97	7.45	70.6	11.08	105.0	9.83	93.2	9.30	1.25
June	11.04	9.38	7.61	68.9	11.47	103.9	10.18	92.2	9.45	1.59
July	10.61	8.95	7.31	68.9	11.43	107.7	9.85	92.8	9.37	1.24
1939-40 -										
Aug.	10.16	8.53	7.38	72.6	11.35	111.7	9.37	92.2	8.95	1.21
Sept. ...	11.10	9.69	8.47	76.3	12.37	111.4	10.60	95.5	9.02	2.08
Oct.	10.63	9.39	8.39	78.9	12.00	112.9	10.43	98.1	8.92	1.71
Nov.	11.38	10.53	9.24	81.2	12.40	108.9	11.32	99.4	9.40	1.98
Dec.	13.82	13.02	11.43	82.7	15.44	111.7	13.32	100.0	10.64	3.18
Jan.	14.58	13.91	12.12	83.1	17.24	118.2	14.65	100.5	10.79	3.79
Dec. 1 ..	12.90	12.17	10.66	82.6	13.80	107.0	12.90	100.0	9.93	2.97
8 ..	13.33	12.59	11.01	82.6	14.84	111.3	13.33	100.0	10.26	3.07
15 ..	14.05	13.32	11.57	82.3	15.74	112.0	14.05	100.0	10.99	3.06
22 ..	14.45	13.71	11.99	83.0	16.39	113.4	14.45	100.0	10.92	3.53
29 ..	14.33	13.59	11.84	82.6	16.34	114.0	14.33	100.0	11.12	3.21
Jan. 5 ..	15.18	14.45	12.78	84.2	17.73	116.8	15.18	100.0	11.09	4.09
12 ..	14.81	14.06	12.22	82.5	17.13	115.7	14.81	100.0	10.78	4.03
19 ..	14.46	13.80	12.00	83.0	17.20	118.9	14.54	100.6	10.82	3.64
26 ..	13.77	13.19	11.38	82.6	16.76	121.7	13.94	101.2	10.42	3.35
Feb. 2 ..	13.63	13.02	11.11	81.2	17.02	124.3	13.77	100.6	10.40	3.29
9 ..	13.75	13.17	11.11	80.8	16.90	122.9	14.00	101.8	10.72	3.03
16 ..	13.38	12.80	10.71	80.0	16.71	124.9	13.63	101.9	10.74	2.64
23 ..	13.26	12.68	10.72	80.8	16.85	127.1	13.50	101.8	10.80	2.46

Compiled from reports of the Liverpool Cotton Exchange except for the last 4 weeks, which are from cables to the Bureau of Agricultural Economics or from reports of the New York Cotton Exchange. Prices were reported in pence per pound and converted to cents per pound at current rates of exchange.

Middling 7/8-inch at New Orleans was officially quoted at 10.80 cents per pound, or 0.38 cent per pound higher than on January 26. At Liverpool, on the other hand, American Middling 7/8 on February 23 was 13.26 cents per pound when converted at the current rate of exchange, or 0.51 cent per pound lower than on January 26. As a result of these movements in opposite directions, the spread of American Middling at Liverpool over New Orleans declined from 3.35 cents on January 26 to 2.46 cents on February 23. The spread on the latter date was the narrowest since November and is 1.63 cents lower than the spread of 4.09 cents on January 5. The reduction in the spread is apparently due to somewhat lower ocean transportation costs, to the increased stocks of raw cotton in Great Britain, and to less concern over the possibility of substantially higher transportation costs in the near future.

Liverpool prices of Indian Oomra declined somewhat further relative to prices of American cotton during the past month, whereas Egyptian Uppers and Brazilian Sao Paulo increased. On February 23 the price of Indian Oomra was equivalent to 80.3 percent of the price of American Middling compared with an average ratio of 83.1 in January. The price of Egyptian Uppers on February 23, however, was 127.1 percent of the price of American Middling compared with an average of 118.2 in January and was the highest price since September 1938. The price of Brazilian Sao Paulo Fair was equivalent to 101.8 percent of the price of American Middling on February 23 compared with an average of 100.5 in January.

EXPORTS

UNITED STATES: January exports highest in 13 years, $3\frac{1}{2}$ times those in January 1939

The 1,027 thousand running bales of American cotton exported in January were equivalent to 354 percent of exports in January 1939 and were the largest for the month since 1927. They were about 53 percent larger than the 10-year (1929-38) January average.

Exports from August through January totaled 4,161 thousand bales. They were approximately 90 percent larger than exports during the first 6 months of the 1938-39 season and were the largest for the period since 1933-34. They were 5 percent less than the 10-year (1929-38) August-January average.

During the first 2 weeks of February, exports continued from 3-1/3 to 3-1/2 times as large as during the corresponding weeks last year. During the week ended February 22 they were not quite twice as large as a year earlier.

From August 1 through February 22, according to reports of the New York Cotton Exchange, exports totaled 4,600 thousand running bales. This represents an increase of 2,200 thousand bales, or 90 percent, over exports to the corresponding date last season. Of this increase 1,165 thousand bales are accounted for by increased exports to Great Britain. Great Britain and France combined accounted for 1,430 thousand bales of the total increase over last season. Exports to Italy and to a number of other neutral European countries have also been materially larger than in the corresponding period last season.

Cotton: Exports from specified countries, average 1928-29 to 1937-38, and seasons 1937-38 to date

Country of origin and destination	January					August to January				
	10-yr.av.	1937-38	1938	1939	1940	10-yr.av.	1937-38	1938	1939	1940
	as a % of	1937-38	1938	1939	1940	as a % of	1937-38	1938	1939	1940
	1928-29	1937-38	1938	1939	1940	1928-29	1937-38	1938	1939	1940
	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	running	run.	run.	run.	Per-	run.	run.	run.	run.	Per-
	bales	bales	bales	bales	cent	bales	bales	bales	bales	cent
United States to										
Germany	98	42	31	0	---	838	545	205	1/19	9.1
United Kingdom:	148	207	41	380	926.8:	892	1,195	285	1,333	467.7
France	70	76	21	178	847.6:	520	615	294	488	166.0
Italy	52	54	22	68	309.1:	345	333	173	311	179.8
Spain	22	0	0	22	---	132	0	2	190	9,500.0
Belgium	17	21	10	15	150.0:	101	133	62	136	219.1
Canada	20	22	15	43	286.7:	130	143	131	219	167.7
Japan	158	109	71	161	226.8:	916	229	528	583	110.1
China	29	0	19	65	342.1:	170	2/	39	279	715.1
Other coun. ...	5,678	117	60	95	158.3:	356	639	478	603	126.2
Total	670	648	290	1,027	354.1:	4,400	3,832	2,192	4,161	189.8
Egypt to										
United Kingdom:	56	60	55	67	121.8:	324	331	248	352	141.9
France	20	18	17	41	241.2:	116	149	83	161	194.0
United States :	10	5	4	2	50.0:	48	23	15	35	233.3
Germany 3/ ...	14	20	16	0	---	77	116	110	12	10.9
Italy	11	10	6	13	216.7:	65	65	61	54	88.5
Japan	14	12	12	21	175.0:	64	37	82	105	128.0
British India :	10	20	10	7	70.0:	36	84	42	88	209.5
Other coun. ...	30	32	29	17	58.6:	176	203	195	173	88.7
Total	165	177	149	168	112.8:	906	1,008	836	980	117.2
December										
August to December										
	1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000	
	bales	bales	bales	bales	Per-	bales	bales	bales	bales	Per-
	478 lb.	478 lb.	478 lb.	478 lb.	cent	478 lb.	478 lb.	478 lb.	478 lb.	cent
British India to:										
Japan	101	10	112	78	69.6:	342	127	466	330	70.8
Italy	19	10	7	5	71.4:	77	34	30	12	40.0
China	19	5	23	7	30.4:	69	27	43	91	211.6
Belgium	12	12	9	2	22.2:	52	42	33	12	36.4
Germany	14	14	19	0	---	58	41	64	6	9.4
United Kingdom:	19	19	21	27	128.6:	65	48	76	111	146.1
France	7	6	12	29	241.7:	33	18	34	48	141.2
Other coun. ...	13	18	18	28	155.6:	54	61	67	92	137.7
Total	204	94	221	176	79.6:	750	398	813	702	86.3
December										
August to December										
	1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000	
	bales	bales	bales	bales	Per-	bales	bales	bales	bales	Per-
	478 lb.	478 lb.	478 lb.	478 lb.	cent	478 lb.	478 lb.	478 lb.	478 lb.	cent
Brazil to										
Japan	4/	0	18	5	27.8:	4/	55	129	83	64.3
United Kingdom:	---	16	18	27	150.0:	---	98	128	118	92.2
Germany	---	32	38	0	---	---	223	93	56	60.2
France	---	3	10	1	10.0:	---	16	65	42	64.6
Italy	---	2/	3	1	33.3:	---	4	31	17	54.8
Netherlands ..	---	2/	1	2/	---	---	7	19	24	126.3
Belgium	---	1	2	3	150.0:	---	7	14	16	114.3
Other coun. ...	---	7	15	7	46.7:	---	32	56	62	110.7
Total	35	59	105	44	41.9:	185	442	535	418	78.1

Compiled from official sources. 1/ Revised. 2/ Less than 500 bales. 3/ Includes Austria beginning Jan. 1938. 4/ Not available by countries.

So far this season, reported exports to Germany have been extremely small, 310 thousand bales less than to the corresponding date last season and 660 thousand bales less than from August 1, 1937 to February 25, 1938.

FOREIGN COTTON: Exports from India and Brazil drop, from Egypt increase

From August through December, total exports from British India were 14 percent less than in the corresponding period last season and in the month of December were 20 percent less than in December 1938. Exports from Brazil made an even poorer showing. From August through December they were 22 percent smaller than a year earlier and in December were 58 percent less than in the corresponding month last season.

August-January exports from Egypt this season were 17 percent larger than during the first 6 months of last season, with substantial increases in shipments to the United Kingdom, France, Japan, and the United States. Exports to Germany were about 100 thousand bales (90 percent) less than during the first 6 months of last season. In January exports from Egypt were 13 percent larger than in January 1939, with the United Kingdom, France, Italy, and Japan all taking materially larger quantities than in January last year.

DEMAND AND CONSUMPTION

UNITED STATES: Mill activity declines after reaching record high

In January the seasonally adjusted index of domestic cotton consumption declined to 130 after having reached a new record high of 145 in December. This represented a somewhat greater decline than had been indicated by unofficial weekly index numbers. Despite the decline in the seasonally adjusted index, cotton consumption in January (730 thousand running bales) exceeded consumption in January 1939 by 22 percent and the previous all-time January high by nearly 8 percent. It was the second largest monthly consumption on record and 36 percent larger than the 10-year (1929-38) January average. Trade reports indicate that during the first 3 weeks of February some further decline occurred in the seasonally adjusted rate of consumption. Nevertheless, the February total will materially exceed consumption during February 1939. From August 1 to February 1, domestic mill consumption totaled 4,042 thousand bales, and exceeded consumption during the first half of last season by 19 percent and the previous record high for this 6-month period by 5 percent.

Manufacturers' sales of unfinished cotton textiles were again materially below production during the past few weeks, according to trade reports. Reports also indicate that unfilled orders of many manufacturers have declined to relatively low levels and that, at least in some instances, sizable quantities of unsold stocks of gray goods have accumulated. The continued restrictions in sales and increased stocks, along with a substantial decline in general domestic business activity, largely accounted for the decline in mill activity since December.

It is reported that stocks of cotton goods in retail establishments are relatively low but that retail sales have been holding up quite well. This and the continued relatively high prices of such competing products as jute and burlap (despite considerable price declines since early December), wool and silk, and the large sales of cotton textiles for export are factors which should tend to cause domestic cotton mill consumption to continue relatively high. Nevertheless, mill consumption is expected to decline still further during the next several weeks. This seems particularly likely if general business activity should continue to decline during the months immediately ahead, as is quite generally expected.

EUROPE: Mill activity high in several countries,
low in the German area.

United Kingdom: Cotton mill activity in the United Kingdom during January and February remained high. Spinning mill activity in December was estimated at 85 percent of theoretical single shift capacity, and little change is thought to have occurred since then. Except for the shortage of labor, activity probably would be higher. Order books of spinners and manufacturers were well filled at the end of December, with some of them sold out until the end of June.

New business was somewhat hampered in December by developments in the raw cotton market and pending plans for the regulation and control of the industry. In January and February manufacturers' sales were restricted for similar reasons as well as by reduced demands from buyers. With spinners' margins having been fixed, effective January 4, and only "permitted increases" allowed in the retail prices of a large number of retail articles, buyers have had less incentive to accumulate stocks in anticipation of higher prices. Old orders on the books are believed to be ample to last the industry at a high rate of activity for perhaps the first half of 1940.

Up to the time yarn margins were fixed by the British Government yarn prices rose more than was justified by the increase in yarn production costs. Spinners' margins for American cotton yarns in Lancashire from the middle of August to the middle of December widened by nearly 120 percent - a rise which surely allowed for a substantial increase in profits. The fixed margins brought a considerable curtailment of the excessive proportions to which the spread had risen. It is anticipated that Lancashire company reports for the last quarter of 1939 will reveal larger profits than for a long time back. For the last half of 1939, 10 spinning concerns - most of them in the Oldham district where the American section is concentrated - have announced an average profit of £4,243 (\$17,800) per company. In the corresponding half-year of 1938 the average profit per company was only £129 (\$620). 1/

Cotton Industry Control Order No. 4 became effective February 14 establishing priorities for manufacture and delivery of cotton goods. This order requires that Government orders be given priority over all others and that

1/ According to an analysis of returns referred to in the Manchester Guardian of December 29, 1939, and a further report published on January 10, 1940.

exports should rank second. The encouragement of cotton textile exports is said to be one of the purposes of this measure. Cotton Industry Control Order No. 2, effective January 4, which fixed yarn margins, was also designed to help exports. It would appear that there are at least two important reasons why the British are anxious to maintain cotton textile exports. First, and most important from the standpoint of the present emergency, is the foreign purchasing power created by such exports. Even though foreign exchange is required to purchase most of the raw cotton used in manufacturing such goods, the returns from the manufactured goods are probably around three or more times as great as the cost of the raw cotton used in producing these goods. The second reason is the desire to maintain foreign markets in order to reduce the amount of unemployment which is likely to exist during the period of readjustment following the war.

France: Mill activity in the French cotton spinning and weaving industry was apparently maintained at a fair level in December, largely on the basis of orders for military and civilian defense purposes. At that time spinners and weavers still complained of an insufficiency of raw cotton supplies available to meet the demands of the civilian population. The Government, under the pressure of wartime conditions, is determined to curtail the consumption of cotton textiles for non-military and non-civil defense purposes. The semi-official import organization has raised the fixed price for raw cotton to be used in the manufacture of civilian goods from 590 francs per 50 kilograms (12.17 cents per pound) in October, basis Strict Middling, to 750 francs (15.22 cents) as from December 14. Prices of cotton yarns and manufactures have been marked up accordingly. It is not known whether any further change has been made or not.

Trade reports indicate that during recent weeks mill activity has continued fully as high as in December. It seems probable that mill activity in France may have increased since December. This probability is based on the reported coordination of British and French cotton mills, the marked increase in the combined imports of cotton into Great Britain and France, and the shortage of skilled labor in British mills.

Italy: Reports indicate that in Italy a somewhat more liberal release of foreign exchange for raw cotton imports and improved credit facilities for cotton shipments have occurred in recent weeks. Cotton mills appear to have increased their activity during December and January with at least a small amount of overtime in the busiest mills. Export business of the Italian cotton industry also appears to have been well maintained or increased, and the prices received for export sales are reported to be satisfactory.

Central Europe: Press information released some time ago states that the detailed delivery agreement between Germany and the Soviet Union provides for the supply to Germany, among other articles, of relatively large quantities of Russian raw cotton, according to a report from the Office of the Agricultural Attache at London. The quantity of such cotton involved was placed at

100,000 metric tons (about 460,000 bales of 478 pounds net if in terms of lint cotton and a little less than one-third this amount if in terms of unginned cotton) of high grades, and 50,000 tons (230,000 bales) of low grades. It is not indicated when and by which route delivery is to be made, nor is it known for which sector of the cotton industry in the German-controlled area the supply is mainly intended. It had previously been assumed that, in the case of Russian deliveries of raw cotton to Germany, the latter country would be called upon to supply in return some cotton manufactures for Russian consumption. The above mentioned reports do not note any such provision.

It is believed that from its accumulated stocks and current crop the Soviet Union could meet delivery obligations for 150,000 tons of lint cotton. But this might well restrict Russian cotton mill consumption considerably. In the event of such an undertaking Russian transport facilities may prove inadequate to give speedy effect to the undertaking. Should Germany succeed in getting nearly 700,000 bales of Russian cotton it would be equivalent to about one-third of the total 1938 imports of cotton into the area now under German control.

ORIENT: Mill activity higher in India, lower
in Shanghai and Japan

The 266 thousand bales (of approximately 400 pounds net weight) of Indian cotton consumed by mills in India during December was approximately 11 percent larger than consumption in November. It was the largest total for any month since January last year but somewhat smaller than the 283 thousand bales consumed in December last season. This increase is believed to be a result of reduced competition from imported British cotton textiles and possibly of the sharp increase which occurred in jute and jute product prices during the preceding 3 or 4 months. Despite the substantial increase in December, total consumption from August through December was 70 thousand bales (5 percent) less than in the corresponding period last season. A late report indicates that consumption in January was about the same as in December.

Cotton mill activity in Shanghai during January was reported to have been slightly less than during the previous month. There was no information of any significant change in activity in other parts of China. Mills in Shanghai are, for the most part, stocked up with raw cotton for several weeks, mainly with imported cotton, and additional substantial quantities are afloat for this market. The reduced activity is apparently attributable to reduced sales and the weakness of the market for 20-count yarns and coarser. Market margins on 20-count yarns and below are said to be very low at present, and the tendency is to switch to higher count yarns.

Within the last few weeks announcements have been released pertaining to new control measures in North China, apparently designed to increase the amount of cotton going to Japan. It is indicated that the new system of control would be instituted under the direction of the Japanese Asia Development Board. Under the supervision of this Board the North China Cotton Association has been given control of the sale and shipment of cotton to North China, and the transportation and distribution of cotton in the Tientsen area. It is

reported that these measures are designed to insure adequate exports of this type of cotton to Japanese mills at fixed prices. Monthly allotments will be made to mills in North China on the basis of quantities actually consumed during each month. In view of the fact that arrivals of Chinese cotton at North China markets are not expected to meet the requirements of North China alone, existing shortage of supplies may become still more acute in the near future.

Preliminary data from Japan indicate that cotton consumption in Japan declined something like 18 percent from December to January, which is considerably more than seasonal. This decline was somewhat surprising, in view of the sharp increase in cotton textile exports in December. However, exports of cotton cloth in January were only a little more than half as large as in December. The decline in mill consumption is attributable, in part, to seasonal factors and in part to a shortage of operating power, which has confronted Japanese mills in varying degrees for some months, and perhaps in part to reduced cloth exports.

ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

World acreage reduced, production about unchanged

Reports thus far received pertaining to acreage and production during the 1939-40 season substantiate earlier forecasts that world production would show relatively little change as compared with 1938-39. It is now estimated, however, that about 2,700 thousand fewer acres will be harvested this season. Estimated total world production, of 28,800 thousand bales (of approximately 478 pounds), is only 200 thousand bales less than the estimated 1938-39 crop. It is, however, 9,850 thousand bales less than the record crop of 1937-38. The estimates now available indicate that production in Russia and Egypt may be somewhat larger this season than last season, but in most of the other larger producing countries production is either about the same or somewhat smaller than in 1938-39. The decline in the world acreage is largely accounted for by the reduction of nearly 2 million acres in the estimated area which will be harvested in India during the 1939-40 season. Egypt and China are other important producing countries in which the current season's estimated harvested acreage is less than in 1938-39. In most of the other countries for which data are available, the area is about the same or slightly higher than it was last season. In most countries the 1939-40 acreage is materially less than that of 1937-38, when total world acreage (93 million acres) was about 25 percent larger than the estimated 74,300 thousand acres for 1939-40.

Government stocks reduced 850 thousand bales from mid-January to mid-February

Between January 15 and February 19, Government loan stocks declined approximately 670 thousand bales. This reduced the total stocks of Government-financed cotton to nearly 9,800 thousand bales, including more than 650 thousand bales of such cotton which is being, or will be, exchanged to Great Britain for rubber. In April last year Government-financed stocks reached the all-time high of nearly 11,400 thousand bales.

Sales of loan cotton equities by farmers in late January and the first half of February were very small, according to reports to the New York Cotton Exchange Service. Until such sales increase requests for the release of cotton from Government loan stocks probably will be small. However, there may have been considerable quantities of loan cotton equities sold earlier for which no requests have yet been made for the release of the cotton.

Cotton: Estimates of acreage and production, specified countries
and world total, 1937-38 to 1939-40

Country	Area			Production 1/		
	1937-38	1938-39	1939-40 2/	1937-38	1938-39	1939-40 2/
	1,000 acres	1,000 acres	1,000 acres	1,000 bales 478 lb. net	1,000 bales 478 lb. net	1,000 bales 478 lb. net
United States	33,623	24,248	23,928	18,946	11,943	11,792
India	25,521	23,553	21,600	4,741	4,285	4,100
China 3/	9,300	5,580	5,000	3,600	2,300	1,900
Russia	5,163	5,147	5,190	3,700	3,800	4,000
Egypt	2,053	1,852	1,687	2,281	1,728	1,815
Brazil	6,010	6,000	:	2,075	1,913	:
North	2,485	2,224	2,150	745	641	631
South	3,525	3,776	:	1,330	1,272	:
Argentina	815	841	927	237	327	:
Uganda	1,759	1,530	1,574	4/ 349	4/ 253	5/ 289
Anglo Egyptian :						
Sudan	443	458	427	264	263	231
Burma	563	401	400	126	89	100
Chosen	547	577	526	214	187	183
Bulgaria	125	136	166	47	32	:
Greece	173	187	191	75	67	63
Syria and Lebanon:	86	93	103	26	39	:
Tanganyika	6/	6/	6/	51	4/ 42	66
Yugoslavia	7	14	14	3	6	:
Total foreign countries	59,377	52,752	50,372	19,704	17,057	17,008
World total 7/ ..	93,000	77,000	74,300	38,650	29,000	28,800

Compiled from official sources, and reports of the International Institute of Agriculture, or estimated by the Bureau of Agricultural Economics.

1/ Theoretically, these estimates include the total cotton production in each country. They are frequently referred to as estimates of the "agricultural crop" to distinguish them from estimates of the "commercial crop", which excludes that cotton which is consumed on hand spindles or in other ways, without entering commercial channels. These estimates, therefore, should average larger than the estimates of the commercial crop. Because of inaccuracies in some of the available estimates, however, this is not always true.

2/ Preliminary. 3/ Includes Manchuria. 4/ Exports. 5/ Available for export.

6/ Comparable data not available. 7/ Includes estimates for 20 to 30 very minor producing countries, which in most of the years for which we have records harvest from 20,000 to 40,000 acres and produce from 5,000 to 12,000 bales.